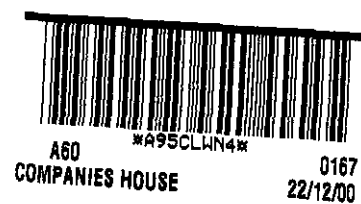


The Valspar (UK) Holding Corporation Limited

Report and Accounts

Year ended 31 December 1998

Registered No. 03171339



The Valspar (UK) Holding Corporation Limited

DIRECTORS' REPORT

DIRECTORS

John Ballbach
Rolf Engh
William L Mansfield

SECRETARY

Timothy Beastron

AUDITORS

Ernst & Young
Apex Plaza
Reading
Berkshire
RG1 1YE

BANKERS

National Westminster Bank Plc
Societe Generale

SOLICITORS

Eversheds
10 Newhall Street
Birmingham
B3 3LX

REGISTERED OFFICE

Station Lane
Witney
Oxon
OX8 6XZ

The Valspar (UK) Holding Corporation Limited

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The result for the year amounted to £nil (1997: £nil). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company acts as a holding company to other Valspar activities within Europe. The principal activity of its subsidiaries is the manufacture and distribution of coatings and inks to the metal packaging industry.

FUTURE DEVELOPMENTS

The company will continue to act as a holding company.

MARKET VALUE OF LAND AND BUILDINGS

The directors do not believe there is a significant difference between the market value and the net book value of the land and buildings held by the company's subsidiaries.

EVENTS SINCE THE BALANCE SHEET DATE

The company acquired further investments in the packaging industry. Please see note 10 for details.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1998 were as follows:

William L Mansfield

Rolf Engh

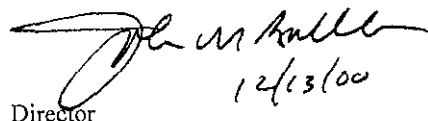
John Ballbach

The directors do not have any interests in the share capital of the company. Mr. R. Engh holds a 1% holding in The Valspar (Italy) Corporation S.R.L.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put the members at the Annual General meeting.

On behalf of the Board on



12/13/00

Director

The Valspar (UK) Holding Corporation Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS to the members of The Valspar (UK) Holding Corporation Limited

We have audited the accounts on pages 6 to 11, which have been prepared under the historical cost convention and the accounting policies set out on pages 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, by the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

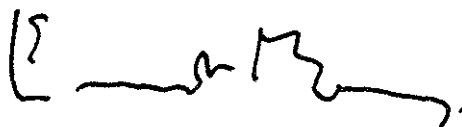
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

The company has not prepared group accounts, contrary to the provisions of Financial Reporting Standard No. 2 and of the Companies Act 1985.

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of the result for the year then ended.

Except for the failure to prepare group accounts, in our opinion the accounts have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

19 December 2000

The Valspar (UK) Holding Corporation Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	<i>Note</i>	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
TURNOVER		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Distribution costs		-	-
Administrative costs		-	-
OPERATING PROFIT		-	-
Interest payable		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	-	-
Tax on profit on ordinary activities		-	-
PROFIT FOR THE FINANCIAL YEAR		-	-
Dividends		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		-	-

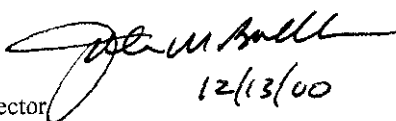
There are no recognised gains or losses other than the result for the year (1997: none)

The Valspar (UK) Holding Corporation Limited

BALANCE SHEET at 31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Investments	4	16,078	15,484
		<u>16,078</u>	<u>15,484</u>
CURRENT ASSETS			
Debtors	5	31	-
Cash at bank and in hand		63	-
		<u>94</u>	<u>-</u>
CREDITORS: amounts falling due within one year	6	85	-
		<u>9</u>	<u>-</u>
NET CURRENT ASSETS			
		<u>16,087</u>	<u>15,484</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year		-	-
PROVISIONS FOR LIABILITIES AND CHARGES		-	-
		<u>16,087</u>	<u>15,484</u>
CAPITAL AND RESERVES			
Called up share capital	7	1	1
Capital contribution	8	16,086	15,483
Profit and loss account	8	-	-
		<u>16,087</u>	<u>15,484</u>
EQUITY SHAREHOLDERS' FUNDS			
		<u>16,087</u>	<u>15,484</u>

Approved by the board on

Director  12/13/00

The Valspar (UK) Holding Corporation Limited

NOTES TO THE ACCOUNTS at 31 December 1998

1 ACCOUNTING POLICIES

The following accounting policies are applied consistently, as appropriate, in dealing with items which are considered material in relation to the company's accounts.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The company has not prepared group accounts, contrary to the provisions of Financial Reporting Standard No. 2 and the Companies Act 1985.

No cash flow statement is presented, as the consolidated financial statements of the company's ultimate parent undertaking, The Valspar Corporation Inc., are available to the public.

Fixed assets

All fixed assets are initially recorded at cost.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There is no profit or loss for the year ended 31 December 1998 (1997: £nil).

3 DIRECTORS' EMOLUMENTS

	<i>Year ended 31 December 1998 £'000</i>	<i>Year ended 31 December 1997 £'000</i>
Fees	211	132
Other emoluments (including pension contributions)	91	68
	<hr/> 302	<hr/> 200
Other benefits	52	-
	<hr/> 354	<hr/> 200

Aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in The Valspar Corporation Inc., granted to or held by the directors. Details of the options are as follows:

	<i>1 January 1998</i>	<i>Granted</i>	<i>Exercised</i>	<i>31 December 1998</i>
J Ballbach	37,508	18,974	2,750	53,732

The emoluments, excluding pension contributions, of the highest paid director were £302,000. No pension contributions were paid. Directors who perform their duties outside the UK received no emoluments. The chairman did not receive any emolument for the period.

The Valspar (UK) Holding Corporation Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

3 DIRECTORS' EMOLUMENTS (CONTINUED)

At 31 December 1998 and 31 December 1997 retirement benefits were accruing to one director under a money purchase scheme operated by the ultimate parent company in the US in respect of his services to the UK company.

Emoluments of the directors of the company were borne by other group companies.

4 FIXED ASSET INVESTMENTS

	<i>Year ended 31 December 1998 £'000</i>	<i>Year ended 31 December 1997 £'000</i>
Brought forward	15,484	14,018
Acquisitions in the year	-	-
Capital contribution	594	1,466
Carried forward	<u>16,078</u>	<u>15,484</u>

The company's interests in subsidiary undertakings are as follows:

<i>Directly owned</i>	<i>Country of Registration or Incorporation</i>	<i>Nominal value £'000</i>	<i>Class and percentage of shares held</i>
The Valspar (UK) Corporation Limited	England and Wales	1	Ord. 100%
The Valspar (France) Corporation S.A.	France	2,295	Ord. 100%
The Valspar (Norway) Corporation A.S.	Norway	916	Ord. 100%
The Valspar (Germany) GmbH	Germany	135	Ord. 100%
The Valspar (Spain) Corporation S.R.L.	Spain	402	Ord. 100%
The Valspar (Italy) Corporation S.R.L.	Italy	7	Ord. 98%
The Valspar (Switzerland) Holding Corporation	Switzerland	44	Ord. 100%

All of the trading subsidiaries are involved in the manufacture and supply of coatings and inks to the metal packaging industry.

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Mr. R. Engh holds a 1% holding in The Valspar (Italy) Corporation S.R.L.

The Valspar (UK) Holding Corporation Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

4 FIXED ASSET INVESTMENTS (CONTINUED)

The company has not prepared consolidated accounts for the year ended 31 December 1998. The Directors consider that it would be impracticable to prepare such accounts and that the following disclosures fulfil the requirements of Section 231, Companies Act 1985:

<i>Subsidiary</i>	<i>Date</i>	<i>Capital and reserves £'000</i>	<i>Profit/(loss) for the period £'000</i>
The Valspar (UK) Corporation Limited	30 September 1998	8,058	897
The Valspar (France) Corporation S.A.	31 December 1998	1,433	(737)
The Valspar (Norway) Corporation A.S.	31 December 1998	1,495	171
The Valspar (Germany) GmbH	31 December 1998	77	(300)
The Valspar (Spain) Corporation S.R.L.	31 December 1998	-	-
The Valspar (Italy) Corporation S.R.L.	31 December 1998	7	-
The Valspar (Switzerland) Holding Corporation	31 December 1998	44	-

5 DEBTORS

	<i>As at 31 December 1998 £'000</i>	<i>As at 31 December 1997 £'000</i>
Amounts due from subsidiary undertakings	31	-

Amounts due after more than one year amounted to £11,000.

6 CREDITORS: amounts falling due within one year

	<i>As at 31 December 1998 £'000</i>	<i>As at 31 December 1997 £'000</i>
Amounts owing to subsidiary undertakings	85	-

7 SHARE CAPITAL

	<i>Authorised, allotted, called up and fully paid</i>			
	<i>1998 No.</i>	<i>1998 £'000</i>	<i>1997 No.</i>	<i>1997 £'000</i>
Ordinary shares of £1 each	1,000	1	1,000	1

The Valspar (UK) Holding Corporation Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

8 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £'000</i>	<i>Capital contribution £'000</i>	<i>P&L account £'000</i>	<i>Total £'000</i>
At 31 December 1997	1	15,483	-	15,484
Capital contribution	-	603	-	603
Result for the year	-	-	-	-
At 31 December 1998	1	16,086	-	16,087

9 RELATED PARTIES

In the directors' opinion the company's immediate and ultimate parent company and controlling party is The Valspar Corporation, Inc., which is incorporated in the USA. Copies of its group accounts, which include the company, are available from 1101 South Third Street, Minneapolis, Minnesota 55122.

There were no trading activities between the company and its related parties in the year.

10 POST BALANCE SHEET EVENTS

The company established The Valspar (Italy) Corporation S.R.L. with an investment of Italian Lire 6,500,000 in October 1998 and The Valspar (Switzerland) Holding Corporation with an investment of Swiss Francs 100,000 in December 1998.

On 1st March 1999, various group companies acquired the following entities:

<i>Assets Purchased</i>	<i>Purchaser</i>	<i>Country</i>	<i>Price</i>
Canstoll GmbH	The Valspar (UK) Holding Corporation Limited	Austria	US\$4,240,000
Assets and undertakings of Dexter Speciality Products Ltd, Packaging Division.	The Valspar (UK) Corporation Ltd	UK	US\$21,172,000
Dexter S.A.	The Valspar (France) Corporation S.A.	France	US\$32,531,000
Vernicolor A.G. and Kolack A.G.	The Valspar (Switzerland) Holding Corporation Ltd.	Switzerland	US\$41,134,000
Dexter Packaging Products Spain S.R.L.	The Valspar (Spain) Corporation S.R.L.	Spain	US\$4,644,000

Following the acquisition of the Dexter business, the aggregate turnover of the group companies has increased by approximately 200%. The company is now in a very strong position and is implementing a series of restructuring measures to maximise return on investments.